

Southern Air Transport

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For an airline which few people have ever heard about, Southern Air Transport has had a lot going for it the past few years.

It gets guaranteed loans from some of the biggest banks. It has some of the choicest markets in the lucrative passenger charter service field. And hovering over it like a helpful big brother, it seems, is the U.S. Central Intelligence Agency.

The CIA's sponsorship and apparent control of the Miami-based airline emerges from the details of an unusual and super-secret case before the Civil Aeronautics Board.

It's been widely known for years that the CIA financed its own airline, called Air America. Now it appears that the spooks of Langley have another airline—one which was indirectly financed through Air America.

It came out this summer when one of the owners of Southern Air's stock, Stanley G. Williams, sought permission to buy out the stock held by two other supposed owners.

Instead of a public hearing, CAB Administrative Judge Milton Shapiro granted a motion for executive sessions. It's not unprecedented, but there seems to be only one other case of an acquisition hearing being held in private because of "national defense" considerations.

Other charter airline companies got wind of Williams' plan to buy out Southern Air and filed objections. Their main complaint: the company had been built with help from government agencies and would become

Linked to CIA

a "serious competitor" because of that federal support.

Lawyers for the competing airlines—World Airways, Inc., Trans International Airlines, Inc., and others—were bound in an oath of silence administered by Shapiro. They can't talk about the case and Shapiro won't either.

In the record, however, are exhibits and documented pleadings which the lawyers prepared to show Southern Air's connection to the CIA.

The exhibits show:

- In the past four years, Southern Air has received about \$6.7 million in loans from a corporation called Actus Technology. Southern Air still owes Actus \$3 million. Actus, it turns out, also owes \$3,125,000 to Air America, the CIA's better known airline. Actus, charged the competing air transport companies, is merely a "conduit" for money flowing from Air America to Southern Air.

- About one-third of Southern Air's fleet of planes is leased from Air America. And, it is charged, Southern Air also is dependent upon Air America and its subsidiaries for maintenance and ground handling services.

- Southern Air has been the recipient of loans from two prominent banks totaling \$6.6 million. The loans were guaranteed by the Pa-

cific Corp., which is said to be the parent company of Air America.

The competing air transport companies are trying to block the sale to Williams by arguing that the company has violated CAB law in the past. It has done so, legal briefs argue, by changing its stock ownership several times without getting approval of the CAB.

For example, documents show that in 1957 a man named F. C. Moor owned 98 of the then 100 outstanding shares of Southern Air stock. A 1962 statement said that the stock was then shared by Moor, Williams, Percival F. Brundage and Perkins McGuire. There was no record that the CAB had

authorized any transfer since the 1957 statement, Southern Air's competitors pointed out.

Brundage was director of the Bureau of the Budget during the Eisenhower administration, and McGuire was a deputy assistant secretary of defense and later an assistant secretary for international security affairs.

Sources close to the case speculated that Brundage and McGuire were holding the Southern Air stock as nominees for the real owner—the CIA. McGuire acknowledged yesterday, "I was a nominee."

For whom?
"No further comment," he said.